



**Director of
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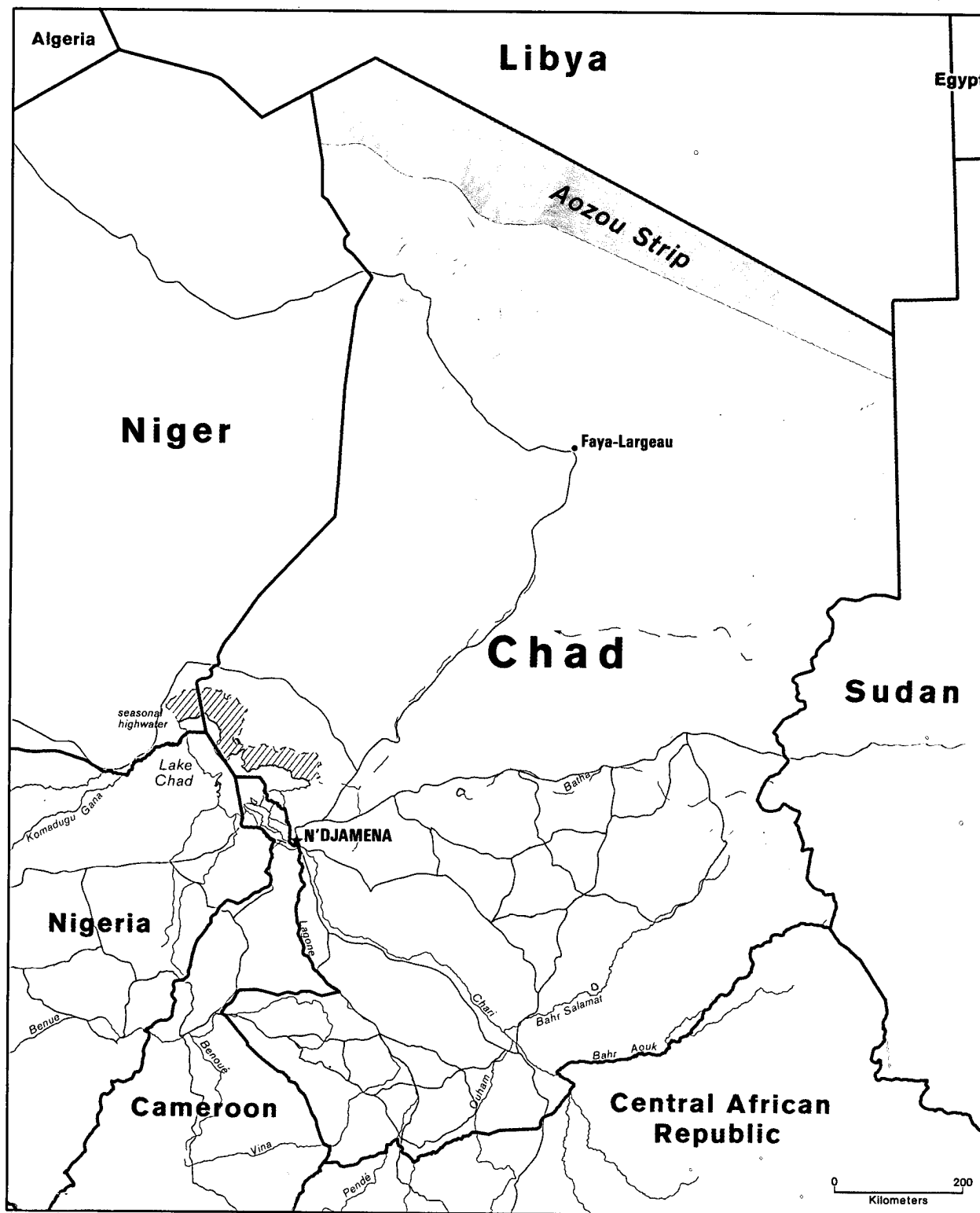
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CHAD: Limited African Support

African leaders generally support President Habre's government, but many are reluctant to speak out publicly against Libya. []

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The US Embassy in Libreville reports that pressure from Francophone Africans led by President Houphouet-Boigny of Ivory Coast has been a major factor in moving France toward forceful action on Chad. President Bongo of Gabon has promised to issue a public statement condemning Libya's involvement in Chad. The US Embassy in Addis Ababa believes that most African diplomats there would be privately pleased if the French intervened in Chad. []

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OAU Chairman Mengistu has called for a resolution of the conflict and is considering sending a factfinding team to Chad. The US Embassy notes, however, that his deliberate tactic of moving slowly favors the Libyan-backed dissidents. []

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Comment: Many African leaders are afraid of incurring Qadhafi's wrath if they speak out. Others are hedging because they believe Habre may lose in spite of their support—leaving them to face the delicate task of patching relations with the victor. []

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Mengistu probably feels compelled to respond to calls by other OAU members for action, but he may be reluctant to advocate any move that would further strain his relations with Qadhafi. Mengistu also is likely to recognize that there is little effective action the OAU can take beyond playing a mediating role. []

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POLAND: Troublesome Tax Hikes

The government is to implement tax measures today that could hurt the economy and contribute to public frustrations, especially among farmers. [REDACTED]

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The measures include long-planned tax increases on farmland that the authorities say are part of a broader effort to increase agricultural efficiency and encourage sales to the state. The government will exempt farmers, for instance, from some of the increases if they sell more to the state, but some farmers are likely to threaten to reduce output in retaliation. [REDACTED]

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Although the government has tried to soften the impact of the new taxes by increasing state procurement prices for some farm products, farmers claim their costs will still exceed their earnings. In addition, farmers believe they are saddled with a greater share of the austerity program than workers, who will not pay higher retail food prices until next year. [REDACTED]

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Taxes on private businesses and on the wages of some 60,000 high-income earners also are scheduled to rise. The authorities claim such increases will ensure that all segments of society share the burden during difficult economic times. [REDACTED]

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Comment: Farmer discontent will further hamper the government's efforts to achieve increases in agricultural production and procurement. The new business and income taxes will reduce incentives for private firms, many of which produce badly needed consumer goods. [REDACTED]

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COSTA RICA: Pressures on President Monge

Increasing public criticism of President Monge's austerity policies and lackluster leadership portend difficult times ahead. [redacted]

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The opposition coalition, business leaders, and the press are assailing Monge's failure to improve the economy and his poor handling of recent public protests over utility rate hikes. The US Embassy reports that the President's inability to prevent the demonstrations and his decision to back down on the issue have led to charges that his government is reacting to events rather than controlling them. [redacted]

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Monge's National Liberation Party is increasingly divided and has not fully supported him in the National Assembly. Several party deputies have introduced legislation contradicting his programs. The party's left wing reportedly may be rallying around an outspoken supporter of Nicaragua's Sandinista government and critic of the President's pro-US policies. [redacted]

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Comment: Despite the poor economy and difficulties in his party, Monge is unlikely to rescind his austerity policies. He may have to relax them somewhat, however, to allay public concern and ease hardship. [redacted]

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If Monge does not exhibit greater legislative leadership, his safe majority in the Assembly may be undermined. This could jeopardize the austerity program and the shaky IMF agreement on which it is based. [redacted]

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GUATEMALA: Election Schedule Announced

One of President Rios Montt's advisers, Council of State President Serrano, has announced that the government intends to hold constituent assembly elections in July 1984, according to press reports. In conjunction with this announcement, Rios Montt also inaugurated an autonomous Supreme Electoral Tribunal yesterday to oversee the integrity of the political process. Meanwhile, the newly imposed state of alarm has been modified to permit political parties and unions to continue organizing. Press censorship and restrictions on political statements, however, are still in force. [REDACTED]

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Comment: The establishment of an election date, as demanded by his junior officers, will improve markedly Rios Montt's chances for weathering the crisis. The President also is trying to calm the political atmosphere by restricting his opponents' access to the media. By permitting legitimate political forces to continue their activities under the state of alarm, he may avert a further loss of legitimacy for his government. Rios Montt still must deal with a divided military, however, and rightwing parties are likely to urge earlier elections.

[REDACTED]

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USSR-SYRIA: Concern About Syrian Intentions

A TASS report on Wednesday said Politburo member Chernenko and other top Soviet officials joined visiting Lebanese Communists in decrying "diplomatic pressures" on Syria to change its stance on Middle East issues. On Monday *Pravda* said Washington is trying to win over Damascus with hints that Syrian withdrawal from Lebanon could elicit a US initiative on the Golan Heights. Last month *Pravda's* leading commentator on the Middle East noted that Saudi Arabia is an intermediary between the US and the Arab states and also provides funds to Syria and the PLO, as well as to moderate Arab states. [REDACTED]

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Comment: Moscow is apprehensive that the US, supported by the Saudis, might reach an agreement with Syria that would perpetuate the USSR's exclusion from Middle East diplomacy and perhaps facilitate a broader Arab-Israeli peace settlement. Ambassador Habib's current trip may have heightened this concern. The Soviets also may be increasingly uncertain about President Assad's responsiveness to their interests in view of their inability to persuade him to reconcile his differences with PLO chief Arafat. [REDACTED]

[REDACTED]

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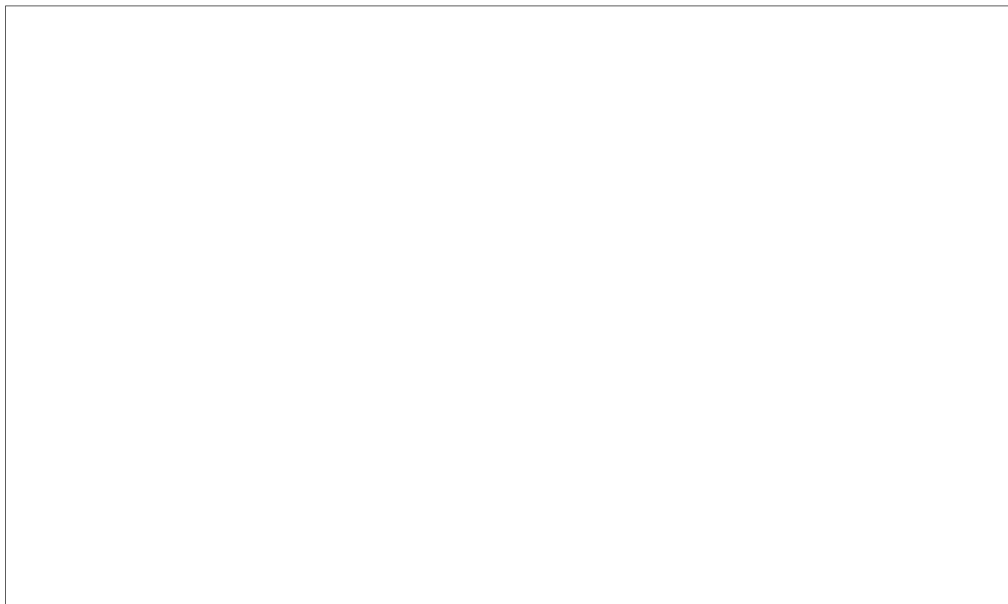
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**UK: Planned Naval Deployment**

An aircraft carrier and four other British warships will make an eight-month deployment to the western Pacific and the Indian Ocean beginning in September, according to a British defense official. Two ships currently on patrol in the northwestern Indian Ocean will be part of the task group. London says the purpose of the deployment is to show the flag outside NATO waters and foster naval ties with friendly countries.

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Comment: The deployment represents a return to the Royal Navy's traditional policy—interrupted by the demands of the conflict in the Falklands—of sending carrier task groups to the Far East and the Indian Ocean every year or so. The UK will emphasize that such operations contribute to NATO's out-of-area efforts, but they also support longstanding British political and economic interests in the region.

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MEXICO: Corruption Charges Filed

President de la Madrid has added momentum to his "moral renovation" program this week by charging the former head of the national oil company with corruption. According to press reports, the administration accused Diaz Serrano, now a federal senator, of defrauding the oil company of some \$30 million. It has requested removal of his congressional immunity. [REDACTED]

[REDACTED]

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Comment: By moving against a close associate of former President Lopez Portillo, de la Madrid has gone a long way in putting his personal stamp on the presidency. Strong action on corruption will build confidence in his political abilities and help reduce public disgust over rampant corruption during the previous administration. The ruling party's candidates in local elections this weekend also may benefit from positive public reaction to the move. Although other officials may be charged, the President probably will avoid a witch hunt that would threaten his support and undermine the country's carefully balanced political structure. [REDACTED]

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JAPAN: Defense Budget Debate Opens

Press reports say the Defense Agency will propose an increase of 8.6 percent in its budget for FY 1984. The Ministry of Finance, however, reportedly will set a limit on growth of defense spending next fiscal year lower than the ceiling last year of 7.35 percent. [REDACTED]

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Comment: This is the first round in the debate on the next defense budget. The Defense Agency target would barely cover equipment orders from previous years and required personnel expenses. Even without expected cuts by the Ministry of Finance, funds might not be available for additional equipment procurement or for support for the deployment of US F-16 fighters to Misawa. [REDACTED]

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VIETNAM-KAMPUCHEA: Security Crackdown

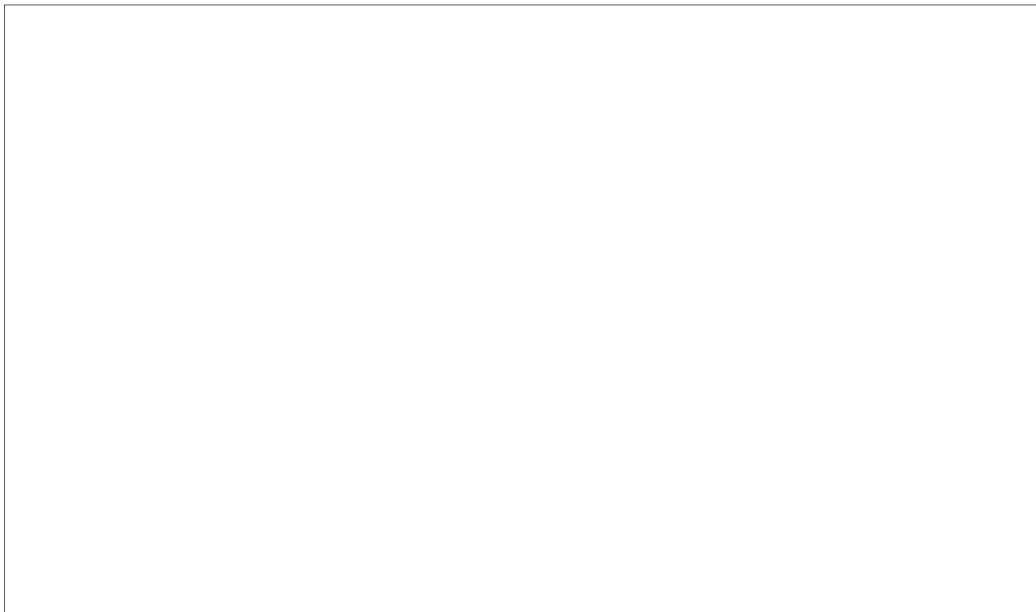
Vietnamese military units have carried out extensive purges of government and military officials in northwestern Kampuchea since late May, according to defectors and refugees. Captured documents indicate the crackdown stems from Vietnamese assessments that members of the resistance and collaborators have infiltrated almost all levels of the local administrations in Siemreab-Otdar Meanchey and Batdambang Provinces. In late May the Vietnamese also arrested more than 100 officers and troops in a Kampuchean Army division stationed near Phumi Samraong. According to the US Embassy in Bangkok, some 8,500 civilians have fled to refugee camps along the Thai border as a result of the crackdown.

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Comment: The purges attest to Hanoi's continuing difficulties in developing competent and politically reliable military and civilian cadres in Kampuchea. The insurgents' success in capitalizing on this vulnerability, however, appears to be confined mostly to remote areas. The purges evidently are limited mainly to sparsely populated areas, and a prolonged exodus of refugees is unlikely.

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YUGOSLAVIA: Dispute Over New Party President

Opposition to the election yesterday of Serbian leader Dragoslav Markovic to be president of the party Presidium next year could make decisionmaking in Belgrade even more difficult. Under Yugoslavia's cumbersome system of rotational leadership, it is Serbia's turn to hold the top party post.

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Comment: Markovic's election probably raises fears that the Serbs will make new efforts to restore strong central power and regain a measure of their past political dominance. Regional leaders will be even more assertive in protecting their prerogatives with Markovic as top party spokesman. This climate of suspicion will reduce his influence over controversial issues—even on economic matters requiring immediate attention—particularly since his term lasts only one year.

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